

National Real Estate Advisors, LLC

Form ADV: Part 2A

The Brochure

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March 30, 2015

This Brochure provides information about the qualifications and business practices of National Real Estate Advisors, LLC (“National”). If you have any questions about the contents of this Brochure or would like a free copy, please contact John Otsuki, Chief Compliance Officer, at 202 496-3370.

National is registered with the U.S. Securities and Exchange Commission (the “SEC”) as an investment adviser. Registration of an investment adviser does not imply any level of skill or training. The oral and written communications of an investment adviser provide you with information, which you may choose to use in determining whether to hire or retain an investment adviser. The information in this Brochure has not been approved or verified by the SEC or by any state securities authority. Additional information about National is also available on the SEC’s website at: www.adviserinfo.sec.gov.

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Material Changes

The Material Changes section of the Brochure will be updated annually or when material changes occur since the last annual update.

Material Changes

The date of the last annual updating for National's Brochure was April 11, 2014. The last update of the Brochure occurred on August 13, 2014. Since the last update, Form ADV, Part 2A, is now amended to disclose the following operational change of the company:

National, in consultation with three professional consultants (two real estate valuation consultants and a national accounting and auditing firm), revised its valuation policy in order to more accurately meet industry standards and to comply with Global Investment Performance Standards (GIPS) requirements. In addition to modernizing the valuation policy, National believes that the new policy better accounts for fluctuations in the fair value of assets under development. The primary changes to National's valuation policy are 1) providing for the external valuation of all equity assets on a quarterly basis (replacing the previous policy of externally valuing annually) with the engagement of a third-party valuation consultant who will update the property values quarterly using MAI Argus runs and a separate independent valuation consultant who will approve the quarterly property updates and determine investment values; 2) continuing the requirement of obtaining an initial MAI acquisition appraisal for construction loans, but no longer requiring follow up MAI appraisals for construction loans unless there are material changes (the independent consultant would make quarterly determinations of value in part based on National's asset management's review of the loan, collateral and market conditions); 3) updating the value of all permanent loans on a quarterly basis instead of a bi-annual update per the previous policy; and 4) valuing real estate equity assets that are under development using an MAI appraisal at acquisition and thereafter utilizing third-party consultants to adjust and confirm both the property and investment values quarterly based on industry standard valuation factors.

Separately, a third-party independent accountant, Ashland Partners, confirmed that National has complied with all of the composite requirements of the Global Investment Performance Standards (GIPS) and that National's policies and procedures are designed to calculate and present performance in compliance with GIPS standards as of December 31, 2013. National is in the process of becoming GIPS compliant for 2014, and will continue to do so on an annual basis. A copy of the confirmation is available upon request.

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Advisory Business

National Real Estate Advisors, LLC provides investment management services focusing on investing in real estate. National generally invests client assets in a wide range of commercial and residential real estate and real estate related assets in the United States.

National was formed in December 2009 as a wholly-owned subsidiary of NREA Holdings LLC, which is wholly-owned by the National Electrical Benefit Fund (NEBF), a Taft-Hartley pension plan established to provide retirement benefits to electrical workers and contractors. National was created for the purpose of making available both to the NEBF and to other Taft Hartley plans and institutional clients the real estate investment skills, experience and expertise developed over the years by the NEBF's in-house real estate investment professionals. National has approximately 40 employees, most of whom have been providing real estate investment management services for many years. Prior to the formation of National, most senior officers of National were long-time employees of NEBF in its real estate investment program.

National is able to offer its real estate expertise to other institutional clients through discretionary separate account management, and through investments in a commingled investment vehicle it manages. National also continues to serve as the primary real estate investment manager for NEBF, both on a commingled and separate account basis.

As of December 31, 2014, National managed \$2.36 billion on a discretionary basis.

Fees and Compensation

Subject to specifically negotiated fee arrangements with clients, National generally charges the following fees:

Management Fee

Investment Type	Fee	Payable
All types	1.15% per year on the first \$100 million of its Investment, and a .90% fee per year on its additional Investments exceeding \$100 million.	Quarterly in arrears.

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The management fee is payable quarterly in arrears, and will be prorated daily for partial calendar quarters. The specific manner in which fees are charged by and paid to National is established in the client's written agreement. Clients may elect to be billed directly or authorize National to directly debit their accounts. *If clients elect to authorize National to directly debit fees from their accounts, clients should review the billing invoice to verify the fee calculation and the corresponding debit as reflected in their account statement provided by their custodian.*

Each client's management fee is calculated using the net asset value of the client's account, which is based on the fair market value of the underlying real properties. Because the valuation process allows for the Manager to select the appraisers and in some cases to determine an interim valuation, there may be a conflict of interest wherein there could be an incentive for National to encourage an inflated fair value of assets. To mitigate this conflict, National has designed and adopted a valuation policy and procedures to ensure the fair value of assets and to prevent any undue influence of the valuation process. National retains a nationally recognized independent valuation firm to serve as an independent valuation consultant, who works with National's internal valuation manager to oversee the valuation process and ensure independent and unbiased valuations. The valuation consultant reviews and approves all quarterly fair value estimates prior to being utilized in determining the Fund's Net Asset Value. In addition, the valuation policy requires that no less frequently than annually, independent state certified and MAI designated appraisers inspect and perform an appraisal for each of the client's real estate equity assets to determine fair value, except for properties in litigation, under contract for sale, or other properties which may be reasonably excluded.

Appraisals are not to be reported in a restricted format, and must contain sufficient data, analysis and rationale to clearly understand the Appraiser's conclusions. All appraisals must comply with the Uniform Standards of Professional Appraisal Practice and consider the three valuation methodologies, as applicable. Appraisers will be rotated no less often than every three (3) years. Appraisal firms are approved by National's Investment Committee which is composed of four members, three of whom are independent of the firm. In addition, National and its staff operate under a Code of Ethics which requires all employees to act with competence, integrity, and in an ethical manner, when dealing with Clients, Investors, the public, prospects, third-party service providers and fellow employees.

Incentive Fee

National's fee arrangement generally includes an incentive fee calculated based upon the performance of a client's account in relation to an agreed upon "benchmark". Please note the additional discussion in the section called Performance Based Fees and Side-by-Side Management below.

Termination

Generally, investment management services provided by National are terminable by either party upon 60 days prior written notice, unless otherwise specified in the investment management agreement. In the case of any termination, management fees, incentive fees or other fees will be charged through the date of termination.

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Accounts initiated or terminated during a calendar quarter will be charged a prorated fee. Upon termination of any account, any prepaid, unearned fees will be promptly refunded, and any earned, unpaid fees will be due and payable.

Other Fees and Expenses

In addition, a client pays for all of its direct expenses, which may include: custodial fees, audit and accounting fees, and other fees. The client also pays for various expenses related to client investments, which may include legal fees, brokers' commissions chargeable to the client in connection with transactions to which the client may be a party, appraisal or valuation fees, title company charges, and other fees and expenses.

Performance Based Fees and Side-by-Side Management

National's management fee arrangements generally include a management fee and incentive fees. Generally, National will receive an incentive fee of a negotiated amount by which investments of clients' assets outperform a certain agreed upon benchmark.

Seventy-five percent (75%) of the incentive fee is due and payable annually. Payment of the remaining twenty-five percent (25%) is contingent, and subject to forfeiture for two years in the event investment returns do not meet or exceed the specified performance benchmarks. Detail of the performance fee is available upon request.

National enters into this fee arrangement only with an eligible client as provided in Section 205(b) (2)-(5) of the Investment Advisers Act or a qualified client as set forth in Rule 205-3 under the Advisers Act.

The fee structure may create an incentive for National to recommend investments which may be riskier or more speculative than those which would be recommended under an alternative fee structure. Such fee structure may also create an incentive to favor higher fee paying clients over other "side-by-side" clients in the allocation of investment opportunities. To mitigate this conflict, National has an investment allocation policy to ensure that clients are treated fairly and equitably when an investment opportunity generated by National could be suitable for more than one client. As a first step in the policy, National determines which of its clients has investment guidelines which would make the investment eligible for that client's account. If it is determined that the investment is eligible for more than one client account, National then determines which of those clients have adequate resources in their accounts (or in undrawn commitments) to make the investment. Of the clients with adequate resources, National then determines whether the subject investment is more suitable in its particulars for one or more of those clients (e.g., National would examine geographic diversification, economic diversification, investment type diversification, investment partner and borrower diversification, tenant diversification, etc.). If, after taking into account all relevant factors, National determines that two or more clients are equally or nearly equally well suited for a particular investment, National will allocate the investment via a blind drawing using only the names of eligible clients who have had their name drawn the least of the eligible clients (including in that calculation all previous drawings of all eligible clients).

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Types of Clients

National provides investment advice as a manager of discretionary accounts for institutional clients and investment funds.

The investment fund investors may include pension funds, governmental retirement plans, corporate pension plans, private real estate investment trusts, university endowments funds, charitable foundations, and other institutional and other investors who seek to invest in an open-end pooled investment vehicle with a portfolio of commercial and residential real properties and real estate-related assets located in the United States. National's minimum account size is \$1,000,000; however, National may accept client contributions of less than \$1,000,000 in its discretion. Details concerning applicable fees, minimum investment amounts and suitability criteria are set forth in the clients' investment management agreement and investment fund documents.

Methods of Analysis, Investment Strategies and Risk of Loss

Investment Objectives and Strategy

The principal objectives of National in managing its clients' assets are: to preserve and protect the clients' capital; to generate income and to provide the potential for capital appreciation; to provide an average annual total return on equity and mezzanine debt investments, before a particular client's management fee (as defined below), in excess of the NCREIF National Property Index; to provide an average annual total return on mortgage loan investments, before the management fee, in excess of the Giliberto-Levy Index; and to provide an average annual total return on first lien construction loans, before the management fee, in excess of the average 30-day LIBOR rate plus 150 basis points. There can be no assurance, however, that these objectives will be achieved.

Consistent with these principal objectives, National seeks to invest and reinvest its clients' assets in commercial real estate properties or companies located in varying geographic areas in the United States. For a client's existing stabilized assets, National seeks to maximize net income from rents and property operations and dispose of investments when it is believed that maximum value can be received. National seeks to invest its clients' available cash (from investment activities and new capital contributions) primarily in equity and debt investments in new developments and redevelopments of properties that offer excellent opportunities to create current income and capital appreciation, while also maximizing the use of union labor and incorporating responsible contractor policies to the greatest extent possible consistent with ERISA fiduciary responsibility requirements.

In general, client's assets will be invested in varying types of real estate commercial properties and a variety of real estate investment structures, including property acquisitions, joint ventures, senior and junior mortgage debt, subordinate debt and credit enhancements.

National's general strategy for achieving the investment objectives of its clients is to invest: (i) in high quality properties, (ii) in attractive and diverse markets, and (iii) by utilizing investment structures that provide access to skilled and experienced operating partners and borrowers.

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National intends to make investments when attractive opportunities meeting its investment criteria exist and after conducting appropriate due diligence. All investments made by National are actively managed to position each investment competitively in its market and to motivate each operating partner and borrower to optimize performance at the property level. Each investment property, to the extent a sale is permitted by the investment structure, is subject to a hold-sell analysis on an annual basis.

- A. Property: National seeks to invest in quality properties that exhibit the following characteristics:
1. *New Construction* - Investments are made primarily in properties involving entirely new construction or substantial rehabilitation, although acquisition of developed properties may also be made when circumstances warrant.
 2. *Modernity* – Investments are made primarily in modern, efficient buildings that compete effectively within the marketplace. National tries to divest properties that are aging and in danger of becoming obsolete. Properties in unique locations, if warranted, may be rehabilitated, renovated or otherwise modernized.
 3. *Quality Properties* – Investments are made in quality properties that National would be willing to own for a significant period of time. National expects this to be true even if the equity or mortgage investment related to the property is by design expected to be short term.
 4. *Property Types* – National seeks to invest at least 40% and as much as 100% of the combined mortgage, equity investments and debt investments of its clients in office, residential, retail and industrial property types. For purposes of these allocation targets, the residential property type includes all types of residential properties, such as senior housing, student housing, for sale housing, etc., and all ground leases are categorized in the property type which supports the ground lease. Other property types, such as medical buildings, data centers, energy producing related facilities, land held for development and other types of real estate may also be considered for investment. Please see the general fund or account documents for additional details.
 5. *For Sale Housing* – The for-sale residential housing market represents a very substantial segment of the overall new construction and development market. National believes that for-sale housing can be subject to a less competitive capital environment and, therefore, may present opportunities for enhanced returns.
 6. *Senior Housing* - The residential senior housing market and senior health-related facilities currently represent an attractive property type which is expanding due to demographic pressure and social changes. In particular, many of the economic characteristics of senior housing are well matched to the economic goals of National, and National may seek appropriate

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investments in this sector.

7. *Real Estate Infrastructure Investments* – National believes that many attractive real estate opportunities are present in infrastructure projects that are supported by physical assets and real property, and that such investments can generate stable returns. Such investments would typically involve the construction, repair, or ownership of facilities generally thought of as constituting a part of, supplying or supporting the public or private physical infrastructure of the U.S. In this broad investment area, National targets real estate investments in energy-producing facilities, data centers, public buildings, waste treatment plants, energy/resource delivery, transmission and storage facilities and similar properties and facilities. Such investments may take the form of construction loans, permanent loans, ground lease investments, joint ventures or other suitable equity investment structures.

B. Markets: National may invest in properties located in attractive and diverse markets that exhibit the following characteristics:

1. *Equity Investments in Dynamic Markets* - In general, National makes equity investments in markets that hold the promise of secure, long-term capital appreciation through stable and sustained growth. In particular, while not exclusively, equity investments are sought in markets with significant intellectual capital, effective local government, a progressive business community and a modern transportation infrastructure.
2. *Mortgage Investments in Secondary Markets* - Mortgage investments may be made in areas that would also warrant equity investments. However, in order to diversify a client's investment portfolio more broadly while protecting against the possibility of loss of equity in stagnant market areas, mortgage investments in secondary markets may be sought.
3. *Market Timing* – National pursues new investment opportunities patiently and prudently and considers investment sales and property disposition opportunities when attractive and compelling opportunities arise. National does not source new investments simply to fulfill allocation targets or production goals without regard to market factors and prudent due diligence criteria. The objective of National is to assemble a combined real estate and mortgage portfolio consisting of high quality assets that enjoy economic diversification as well as geography and property type diversification and that generally have excellent prospects for long-term success.

C. Structure: National may utilize a variety of investment structures to compete effectively for investments in the capital markets with appropriate risk/return profiles, while maintaining sufficient controls and monitoring rights to protect its investment position.

1. *Significant Joint Venture Rights* – Limited liability companies are the preferred legal entity for joint ventures. Although joint ventures generally

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(but not exclusively) may be structured so that a client's joint venture partner (or an entity controlled by the joint venture partner) is in charge of the day-to-day management of the enterprise, National generally negotiates joint venture terms that provide its client with significant management decision-making rights. Occasionally, when the circumstances warrant, a client may seek to be the managing member of a limited liability company and it may wholly own a property without other partners or investors.

2. *Use of Leverage* - Leverage may be used primarily in three circumstances: first, when capital markets create opportunities to increase yields by the prudent use of third party debt financing; second, when leverage permits desirable diversification of investments; and third, when leverage enables the making of desirable investments that might not otherwise be available.
 3. *Debt Investment Liquidity* – Where practicable, mortgage and other debt investments may be structured so that they may be marketable either as whole debt instruments or as part of a securitized package.
 4. *Debt Investment Terms* – Efforts are made to originate debt investments with maturity dates that are staggered over a reasonable period of time so that a client's debt investment portfolio enjoys significant diversity of maturity dates and interest rates and permits funds obtained from maturing mortgages to be reinvested at various interest rates available over time. However, in view of the volatility and the competitiveness of the commercial mortgage market, there is no certainty that these goals may be achieved.
 5. *Debt/Equity Mix* - Depending on market conditions and available opportunities, National may seek to provide its clients' with 20% to 80% of their investments structured as debt and 20% to 80% structured as equity.
- D. Partners/Borrowers: National seeks to identify highly skilled and experienced property developers and managers with which to co-invest or to whom to provide debt financing.
1. *Quality Partners and Borrowers* - National attributes a high degree of importance to underwriting the integrity and expertise of partners and borrowers.
 2. *Investments with Motivated Partners and Borrowers* – National seeks to structure its investments so that risks are appropriately shared, and the partner's or borrower's success supports the client's success.
 3. *Maintenance of Partner, Borrower and Manager Relationships* - After an investment is closed, National works systematically to maintain a close and productive relationship with each partner and borrower. Frequent contacts are pursued, including face-to-face contact on a regular basis.

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Investment Process (Methods of Analysis)

National Real Estate Advisors' investment team reviews investment opportunities that are submitted to or identified by National. Investment submissions to National are encouraged to contain, at a minimum, the basic information needed to analyze the acquisition or development of the project on a preliminary basis. This includes at least the following information:

- Sponsorship – Project sponsorship is perhaps the most critical element of investment consideration. Sponsorship information should include prior real estate investment and development experience and professional experience of key principals.
- Project Description – A general overview of the project including project size, location, development plan, preliminary architectural renderings and site plan.
- Proposed Investment Structure – The proposed capital requirements of the project (i.e., amount and terms of proposed joint venture equity, mezzanine debt, etc.), including projected third-party capital.
- Monthly Development Budget – If applicable, a monthly budget detailing land, hard cost and soft cost line items over the expected construction and lease-up or sell-out period.
- Monthly Pro Forma – A monthly projection of project income and expenses including a summary of assumptions used to create the pro forma. The timeframe of the pro forma should cover the life of the investment or 10 years.
- Market Information – A brief description of the applicable market conditions and the project's profile relative to that market.

National's Investment Committee is responsible for approving all new investments and other investment-related decisions on behalf of National's clients. The Investment Committee generally meets once per month, or more frequently, as needed. The Committee is comprised of four members, all of whom are real estate investment professionals with substantial real estate investment experience. Investment Committee members include Jeffrey J. Kanne, Marshall D. Lees, Kenneth P. Riggs, Jr., and Mitchell Schneider. Please see ADV Part 2B for biographical information regarding members of National's Investment Committee.

Risk of Loss

Investing in securities and real estate involves risk of loss that clients should be prepared to bear.

National primarily invests in assets related to real estate properties. National's investment strategies may be deemed to be a highly speculative and are not intended to be a complete investment program. National's investment program is designed only for institutions and sophisticated persons which are able to bear the economic risk of loss of their investment and which have a limited need for liquidity in their investment.

Below is a discussion of some, but not all, of the material risks associated with the key components of National's real estate investment strategy.

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Real Estate Investment in High Quality Properties

National's investments generally bear the economic and business risks typically associated with the types of real estate investments National makes. A significant risk of owning real estate-related investments is the possibility that the related properties will not generate income sufficient to meet operating expenses, to service any loans that are secured by the properties or to fund adequate reserves for capital expenditures. The income from investments may be affected by many factors, including, but not limited to, fluctuations in occupancy levels, operating expenses and rental income; the supply of and demand for properties of the type in which a client invests; energy shortages; compliance by tenants with the terms of their leases; collection difficulties; the availability of financing on attractive terms; the enactment of unfavorable environmental or zoning laws; Federal and local rent controls; other laws and regulations; disruptions in the credit and capital markets; and changes in real property tax rates. The marketability and value of any client's investment will depend on a number of factors beyond the control of the client, including, but not limited to, those previously described.

Market Conditions

As in the recent past, the financial markets may be disrupted in such a way that the availability and cost of capital for National's clients and that of the clients' competitors could be adversely affected. The achievement of the investment objectives depends, at least in part, upon its clients' ability to access capital at rates and on terms National determines to be acceptable. If a client's ability to access capital is significantly constrained, the client's financial condition and future investments may be materially adversely affected. While the U.S. economy and financial markets have demonstrated some stability in the short term, there can be no assurance that a downturn in economic conditions, financial markets, or the U.S. real estate markets will not adversely affect the value of the client's investments.

Furthermore, there can be no assurance that a ready market for the investments of National will exist at any particular time, since investments in real properties and related investments are illiquid. Accordingly, if there are adverse changes in market conditions, it might be difficult to sell the investments. Any return to the clients on their investment will depend upon factors that cannot be predicted at the time of investment or that may be beyond the control of the clients and National.

Utilizing Investment Structures for Investment Protection

National invests, and is likely to continue investing, in properties through joint ventures, partnerships and other co-ownership arrangements (including senior and subordinate debt investments) with developers or with other persons. Such investments may involve risks not otherwise present, including, but not limited to, the use of leverage and the possibility that the project debt may equal or exceed the value of the investment, and the joint venture partner or partner in an investment becoming bankrupt, that such person might have economic or business goals that are inconsistent with the business interests or goals of the client, or that such person may be in a position to take action contrary to the instructions or the requests of the client or contrary to the client's policies or objectives. Action by such joint venture partner or partner might have the result of subjecting the property to liabilities in excess of those contemplated by the client. Both the use of leverage and risks associated with a joint venture partner or partner may also make it more difficult for National to sell a property or an interest in a joint venture or partnership, and the sale of some interests or assets may be subject to lock-out periods.

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Disciplinary Information

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of the investment adviser or the integrity of the investment adviser's management.

Except as discussed below, neither National nor any of its management persons has been involved in any legal or disciplinary events in the past 10 years that would be material to a client's evaluation of National's business or the integrity of its management.

Paul H. Saylor (a Board Director of National) and CS Capital Management Inc. (CSCM) (an entity for which Mr. Saylor is the Chairman and Chief Executive Officer) executed a Consent Order with the U.S. Department of Labor (DOL) dated December 9, 2010, which is filed in the United States District Court for the Eastern District of Virginia, to end discussions over allegations by the DOL relative to CSCM's representation of a pension fund in a real estate development project. This fund was not and is not a client of National's. The Consent Order represented full and complete resolution of all claims and issues without admission of wrongdoing or impact on CSCM's qualifications as a fiduciary. The DOL alleged a breach of ERISA-based obligations, which was adamantly denied by CSCM and Mr. Saylor. This denial was supported by CSCM's fiduciary counsel. CSCM agreed to a settlement of \$1,199,990 (in part paid by CSCM's insurer) without admission of guilt or wrongdoing, to end a process CSCM and its counsel believed was initiated without merit or basis.

Other Financial Industry Activities and Affiliations

National is a wholly-owned subsidiary of NREA Holdings LLC, which is wholly-owned by the National Electrical Benefit Fund (NEBF).

National Real Estate Development, LLC ("National Development") is a wholly-owned subsidiary of National that was established in June 2013 for the purpose of providing real estate construction and development services for certain real estate development projects in which National's clients may be invested. National Development's services include, but are not limited to, the development of budgets and conceptual plans, the obtainment of permits and other governmental approvals and entitlements, the management of the preparation of plans and specifications for project construction, the coordination of architect's activities, the negotiation of construction contracts, the review and approval of construction change orders and other related construction and development services. National Development is not engaged in the business of providing investment advisory services to National or to any of its clients.

Before National Development is selected for a particular project, National's Investment Committee must formally consider and determine that the engagement of National Development would be appropriate, prudent and in the best interests of National's client(s) given the circumstances. Among other benefits, National believes National Development can assist in decreasing development risk of a project through one or more of the following: (1) providing greater control and monitoring of the project; (2) direct involvement in important decision-making related to the project's development; and (3) supplementing the development skill(s) of a local developer when the local developer does not have the appropriate experience or expertise. In addition, National

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believes National Development's involvement can help reduce the development costs and overruns for certain project components, including local developer's fees and/or profits.

Depending on the circumstances, National Development may receive fees from National, its client(s), or a real estate investment entity in which a client has invested. National believes its client(s) are protected from unfair or excessive fees through National's formal billing policy that provides that any profits over and above direct compensation costs and overhead expenses incurred by National Development will be credited against the management fees payable by the corresponding client(s) to National (i.e., no profit will be earned or retained by National or National Development by virtue of National Development's provision of services on a matter where one or more of National's clients is invested). To the extent the fees are being paid by a third-party (such as a project partnership or LLC), and subject to the billing policy restrictions discussed above, National intends to charge market-rate fees for National Development's services (which rates generally are determined in the marketplace as a percentage of total budget project costs or total project hard costs). National Development's employees receive compensation as employees of National Development, but do not receive compensation, fees or bonuses based upon the amount of fees paid to National Development.

Code of Ethics, Participation or Interest in Client Transactions and Personal Trading

National Real Estate Advisors has adopted a written Code of Ethics (the "Code") that is applicable to all employees. Among other things, the Code requires National and its employees to act in its clients' best interests, abide by all applicable regulations, avoid even the appearance of insider trading and related improprieties, and pre-clear and report on many types of personal securities transactions. A copy of National's Code is available upon request made to the Chief Compliance Officer.

National makes investments in real estate and real estate-related ventures. As most real estate ventures are private transactions and since the vast majority of the entities are not publicly traded, there is generally little or no trading of the type applicable to marketable securities. Nevertheless, as a precautionary measure, National collects information related to and monitors personal trading activities and holdings of all supervised persons. The Chief Compliance Officer monitors trading by supervised persons, relative to client trading, to ensure compliance with applicable requirements.

National maintains an informal watch list of securities that are related to investments and securities already held in client accounts. Any proposed personal transaction involving securities on the watch list requires preclearance from the Chief Compliance Officer. The Chief Compliance Officer would not grant preclearance if, in his opinion, a supervised person's personal transaction in securities included on the watch list could disadvantage National's clients. Under certain circumstances an employee might invest in a security that is not considered suitable for client accounts because of size, liquidity, or other factors. A change in these factors could result in the security becoming suitable for clients. National believes that, due to its investment strategy of investing in real estate assets, it would be rare for a supervised person's personal transactions in securities to create impermissible conflicts with clients' investment holdings and opportunities,

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but such a situation may arise from time to time. In the event that such a situation does arise, the Chief Compliance Officer will review the facts and determine the appropriate action to take (e.g., prohibit the supervised person from selling his or her holdings in the security while the client is transacting in the security). From time to time, supervised persons may invest in real estate investment trusts ("REITs") where the REITs may also be investors in a fund managed by National. National has procedures to monitor these potential conflicts of interest.

Brokerage Practices

Except occasionally in connection with temporary short-term investments of cash received from client contributions pending investment or the sale of client assets pending further investment or distribution, National Real Estate Advisors neither employs nor engages a securities broker-dealer for any transaction related to any of its real estate investments.

National exercises discretion to invest in real estate and real estate-related investments in accordance with the terms of the investment management agreements it has executed with its clients. That discretion may include the determination to buy or sell real property or to make related real property investments, to select real estate brokers to be used in connection with a real estate transaction, and the commissions to be paid to a real estate broker. In choosing a real estate broker, National considers a number of factors including, but not limited to, the broker's knowledge regarding the specific property and the local market conditions, the type of property involved, the experience of the broker, and the fees to be charged.

Clients' real estate transactions may include the provision of specialized services which may justify higher commissions than would be paid for more routine transactions. National is not obligated to seek the lowest available commission rate for the transaction.

National does not have any soft dollar arrangements (i.e., obtaining research and brokerage services with clients' commissions).

Review of Accounts

Account Reviews

Accounts under National's management are monitored on an ongoing basis by National's Investment Committee, Investment staff, Asset Management staff, Accounting staff and Chief Compliance Officer. These reviews include, but are not limited to, reviewing the operational and financial performance as well as the strategic holding of the investment held by the client.

Client Reports

National's standard practice is to provide periodic reports to clients that may include financial statements and investment performance, valuations, and other information relevant to the investment.

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In addition, investors in investment funds receive annual audited financial statements performed by an independent auditor registered with and subject to regular inspection by the Public Company Accounting Oversight Board ("PCAOB").

National distributes its audited financial statements prepared in accordance with GAAP to clients within 120 days of the end of the fiscal year.

Client Referrals and Other Compensation

National Real Estate Advisors does not directly or indirectly compensate any person for client referrals. National does not receive economic benefit(s) from non-clients in connection with the provision of investment advice to clients.

Custody

National Real Estate Advisors is considered to have custody of client assets. National reviews statements received from the clients' qualified custodians against its records to verify that the assets held by these qualified custodians are accurately reflected.

With respect to private fund clients, private funds are subject to an annual financial audit conducted by a PCAOB independent accountant. The funds' audited financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles ("GAAP") are distributed to fund investors within 120 days of the end of the fund's fiscal year.

In addition, upon the final liquidation of a private fund, the fund will obtain a final audit and distribute audited financial statements prepared in accordance with GAAP to the fund investors in the liquidated fund promptly after completion of the audit.

Investment Discretion

National has investment discretion over all clients' accounts. Clients grant National discretion through the execution of an investment management agreement with National. Subject to any restrictions on the amount of capital available to the account or other restriction that a client may have required, the investment management agreement provides broad discretion to National consistent with the objectives and strategies discussed above.

Voting Client Securities

National invests client assets in real estate which do not involve the voting of proxies. Accordingly, National does not maintain a Proxy Voting Policy.

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Financial Information

Registered investment advisers are required in this section to provide you with certain financial information or disclosures about their financial condition.

National Real Estate Advisors has never filed for bankruptcy and is not aware of any financial condition that is expected to affect its ability to manage client accounts.